

**Table 1. Alternatives to State-Run IRA Programs:
Company-Sponsored Retirement Plans**

PLAN TYPE	DEFINED CONTRIBUTION PLANS					DEFINED BENEFIT PLANS	
Feature	Profit-Sharing	Traditional 401(k)/Roth 401(k)	Safe Harbor 401(k)	Solo 401(k)	Simple 401(k)	Traditional defined benefit plan	Cash balance plan
Eligible Employer	All businesses	All businesses, except governmental agencies	All businesses, except governmental agencies	All businesses with no common law employees (except for partners/spouses)	Small businesses with 100 or fewer employees who earned more than \$5,000 in prior year; must be only plan owner maintains	Small successful companies with consistent profits; companies that want to make large contributions toward retirement for business owners and/or key employees age mid-40s+	Successful businesses with consistent profits; small-to-medium-size companies that want to make large contributions toward retirement for business owners and/or key employees age mid-40s+
Funding	Employer profit-sharing only	Employer and employee deferrals/Roth after-tax	Employer and employee deferrals	Employer profit-sharing and employee deferrals/Roth after-tax	Employer and employee deferrals	Employer	Employer
Employee Eligibility	Age 21 and 1 year of service can be required; two years if 100% vesting	Age 21 and 1 year of service can be required	Age 21 and 1 year of service can be required	Age 21 and 1 year of service can be required	Age 21 and 1 year of service can be required	Age 21 and 1 year of service can be required	Age 21 and 1 year of service can be required
Employee Contribution Limits (2022)	N/A	\$20,500 (indexed); additional \$6,500 in catch-up contributions if age 50+	\$20,500 (indexed); additional \$6,500 in catch-up contributions if age 50+	\$20,500 (indexed); additional \$6,500 in catch-up contributions if age 50+	\$14,000 (indexed); additional \$6,500 in catch-up contributions if age 50+	N/A	N/A
Employer Contributions	Discretionary up to 25% of eligible compensation; contributions flexible; employer can choose not	Matching or profit-sharing contributions, or both	Match: 100% of employee's contributions up to 3% or compensation	25% of compensation	Match: 100% of employee's contribution up to 3% of compensation	Mandatory based on employee ages and wages	Mandatory based on employee ages and wages

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	to make contributions if company is not making a profit		PLUS 50% of employee's contribution between 3% and 5% of compensation (basically 4%)		Profit-sharing: 2% of employee's compensation		
Contribution Limits (2022)	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	Amount necessary to fund plan benefits as determined by actuary	Amount necessary to fund plan benefits as determined by actuary
Vesting	Service requirement of 1 year or less: vesting schedule 2-6-year graded Service requirement of more than 1 year: 100% immediate	100% immediate; 3-year cliff or 2-6-year graded	100% immediate on Safe Harbor contributions; vesting schedule 3-year cliff or 3-year cliff or 2-6 year graded on non-safe harbor profit-sharing contributions	100% immediate	100% immediate	100% immediate; 5-year cliff or 3-7-year graded	100% immediate; 5-year cliff or 3-7-year graded
Withdrawals and Loans	RMDs age 72 unless still employed; plan may permit loans and hardship withdrawals; early withdrawals available if plan document allows	RMDs age 72 unless still employed; plan may permit loans and hardship withdrawals; early withdrawals available if plan document allows	RMDs age 72 unless still employed; plan may permit loans and hardship withdrawals; early withdrawals available if plan document allows	RMDs age 72 unless still employed; plan may permit loans and hardship withdrawals; early withdrawals available if plan document allows	RMDs age 72 unless still employed; withdrawals taken within 2 years of employment subject to 25% early withdrawal penalty; no loans	RMDs age 72 unless still employed; no in-service withdrawals or loans	RMDs age 72 unless still employed; no in-service withdrawals or loans
Annual Non-Discrimination Testing	ADP/ACP – No Top Heavy – Yes	ADP/ACP – Yes Top Heavy - Yes	ADP/ACP – No Top Heavy - No	ADP/ACP - No Top Heavy - No	ACP/ACP – No Top Heavy – No Minimum coverage – Yes	ADP/ACP – No Top Heavy – Yes (ADP/ACP – No Top Heavy - Yes
Investment Direction	Employer	Employee-directed Employer/Trustee select investment menu;	Employee-directed Employer/Trustee select investment menu;	Employee-directed Employer/Trustee select investment menu;	Employee-directed Employer/Trustee select investment menu;	Employer/Trustee	Employer/Trustee

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Feature	Profit-Sharing	Traditional 401(k)/Roth 401(k)	Safe Harbor 401(k)	Solo 401(k)	Simple 401(k)	Traditional defined benefit plan	Cash balance plan
		employee chooses investment in account	employee chooses investment in account	employee chooses investment in account	employee chooses investment in account		
Who Bears Investment Risk	Employee	Employee	Employee	Employee	Employee	Employer	Employer
Final Benefit	Amount in employee account	Amount in employee account	Amount in employee account	Amount in employee account	Amount in employee account	Amount based on formula which is combination of age, years of service and/or salary or flat amount paid in form of monthly amount	Participant has “hypothetical account” which is equal to “pay credits” and “interest credits” earned; final benefit is either cash amount in “hypothetical account” or monthly amount based on account balance
How Long Benefit Lasts	Until cash is spent	Until cash is spent	Until cash is spent	Until cash is spent	Until cash is spent	For life	For life
Eligible for SECURE Start-Up Tax Credits	No	Yes	Yes	Yes	Yes	No	No